

TOP SECRET

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GENERAL

1. Voroshilov invites Shah to visit USSR:

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 Marshal Voroshilov, chairman of the Presidium of the Supreme Soviet, has written the Shah of Iran that the situation now seemed "most appropriate" for the Shah to visit Moscow, according to Prime Minister Ala. Voroshilov stated that he and the Shah should seize on the opportunity created by the "good effects" of the recent financial and border agreement between the two countries to discuss subjects of mutual interest, including economic matters.

The Shah told American chargé Rountree on 1 July that he felt compelled to accept the Soviet invitation, and is seeking American and British advice on the best time for the visit and the attitude he should take on questions that might arise. He said he thought the sole purpose of the invitation was to prevent Iran's adherence to a collective security pact.

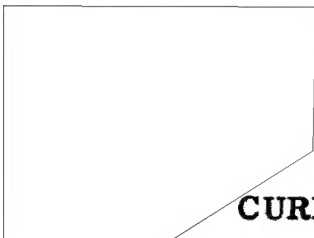
Comment: Moscow may believe that with major points of tension between the USSR and Iran now eliminated, conditions have improved for weakening Iran's Western ties. Moscow commentators said during Nehru's visit to the USSR that Soviet-Indian relations should serve as an example of the pattern for friendly relations with Iran. Moscow can be expected to stage a lavish display for the Shah and make offers of economic and technical aid.

Moscow's gestures of good will will be welcomed in Iran but are not likely to alter its pro-Western orientation.

FAR EAST

2. Chinese Nationalists outline Chinese Communist military strategy in Formosa Straits:

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 Air and sea domination of the Formosa Straits will be the next aim of the Chinese Communists after the early completion of their five new east coast airfields,

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[REDACTED]

The Nationalists calculate that Peiping will attempt to isolate the offshore islands by this means, while avoiding either an amphibious attack or any possible conflict with American forces.

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Activation of the coastal airfields will also make possible Communist air attacks on Formosan naval air bases crowded into a relatively small area in the western part of the island, [REDACTED]

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Comment: The Communists will probably lose no time in occupying the coastal airfields and striving to narrow Chinese Nationalist operations along the coast. The Chinese Communists are expected to continue to defer major military action in the Formosa Straits, however, pending their assessment of the prospects for direct talks with the United States and for an international conference on Far Eastern issues.

Peiping's propaganda has expressed increasing impatience with American statements about both types of possible talks, and the regime may decide that by increasing tension in the area it can bring negotiations nearer.

SOUTHEAST ASIA

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4. USSR may raise Vietnam election question at Big Four talks:



The feeling is growing among French and British officials in Saigon that the USSR will try to put the issue of all-Vietnam elections on the agenda at Geneva, according to the American embassy in Saigon.

The embassy also notes an intensification in the Communist war of nerves on the question of pre-election consultations. According to a French official in Saigon, the Soviet ambassador in Hanoi and the chief of the Viet Minh general staff, as well as Vice Premier Pham Van Dong, have recently hinted at "violent action" in the south if pre-election consultations are not begun by 20 July as specified in the Geneva declaration.

Comment: The final declaration at Geneva stated that consultations on all-Vietnam elections will take place between the competent authorities of the two zones "from 20 July 1955 onwards." Both the Communists and the French interpret this wording to mean that talks must begin on 20 July.

Ho Chi Minh will arrive in Moscow about a week before the conference at Geneva opens. The Viet Minh leader and Chou En-lai, in public statements in Peiping on 26 June, called for prompt pre-election negotiations.

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5. Failure of Viet Minh spring harvest intensifies famine:



The American consulate in Hanoi reports extensive evidence that the famine in North Vietnam is worsening. Viet Minh government officials have engaged

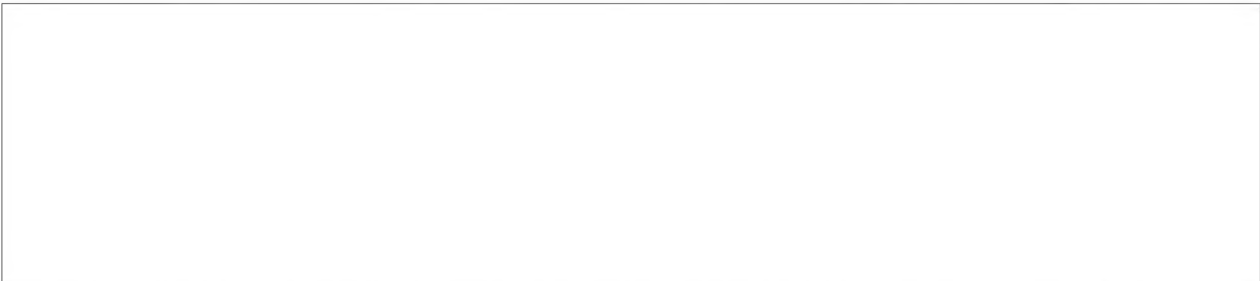
in a rash of public self-criticism for collecting only 65 percent of government rice quotas because of stiff opposition by the land-owner class, which is "sabotaging agricultural reforms."

The emphasis on an expansion of acreage under cultivation and restoration of the irrigation system has not resulted in an adequate spring harvest. In addition, consumption of not-fully-ripened crops by the starving population has accentuated the continuing rice shortage.

The official Viet Minh paper said in an editorial on 1 July that the people must solve their own agricultural problems without foreign aid.

Comment: Collection of rice by the government regardless of peasant requirements is causing widespread antagonism. A flood control central committee has been established and measures have been instituted to revitalize rice collection and the land reform program.

These emergency measures are not expected to remedy the famine, which is believed comparable to that of 1945, when about 1,000,000 reportedly died of starvation. The token aid being sent by the Sino-Soviet bloc, amounting to 30,000 metric tons of rice, does not compensate for the loss of rice supplies from South Vietnam, which before Geneva amounted to about 200,000 metric tons of the north's supplies. (Prepared by ORR)

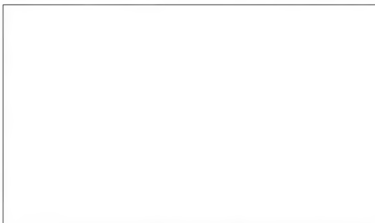


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SOUTH ASIA

7. Indian military officers visit USSR:



three Indian
army officers will soon visit the Soviet
Union to examine tanks and artillery items.

This visit follows offers made by the
USSR as early as December 1954 to sell tanks and jet aircraft to
India. The offers have not yet been accepted by New Delhi.

Comment: Air Marshal Mukerjee and
eight senior Indian air force officers were present at the air show
in Moscow on 3 July.

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Considering the present international political climate, both the air force and the army are probably quite willing to examine Soviet materiel and to investigate the quantities and types of equipment the USSR would be willing to provide.

It seems unlikely, however, that any branch of the Indian armed services would seriously consider buying considerable quantities of Soviet equipment because of uncertainty regarding supply lines and the availability of this materiel in case of war.

LATIN AMERICA

8. Peron speech indicates continuing political stalemate in Argentina:

Peron's emphasis in his nationwide broadcast on 5 July on the need for an end to "political strife" suggests he may fear additional violence, especially as a result of action by labor to defend his personal position. A similar motive may have been behind his statements dissociating organized political opposition parties from any blame for the revolt of 16 June.

The government's continuing delay in announcing a new cabinet has probably contributed to general unrest and indicates that the behind-the-scenes struggle is still unresolved. The military appears still dominant. The four new cabinet ministers announced thus far are Peronista Party members, but none is a labor leader, as was the formerly powerful Interior Minister Borlenghi.

The status of other cabinet ministers whose resignations were announced on 23 June is still not clear. There are indications that demands of the naval forces at Puerto Belgrano may be one of the factors delaying agreement between the government and the military on unresolved political questions.